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Maureen Kostyack
OH Housing Policies ORD
August 28, 2012
Version #6

CITY OF SEATTLE

ORDINANCE _______________

COUNCIL BILL 117578

AN ORDINANCE relating to housing for low-income households, amending housing policies in the 2012-2013 Administrative and Financial Plan for 2009 Housing Levy Programs, which also apply to other funds used for housing, and in the 2009-2012 Consolidated Plan for Housing and Community Development, and ratifying and confirming certain prior acts.

WHEREAS, pursuant to Ordinance 123013, in 2009 the voters of The City of Seattle approved the levy of property taxes for the purpose of financing and supporting housing for low-income households; and

WHEREAS, Ordinance 123013 provides for periodic adoption by the City Council of an Administrative and Financial Plan for programs funded by the 2009 Housing Levy; and

WHEREAS, the 2009 Housing Levy Administrative and Financial Plan, Program Years: 2012-2013 was adopted by Ordinance 123643, and applies to other housing funds in addition to 2009 Housing Levy funds; and

WHEREAS, the 2009 - 2012 Consolidated Plan for Housing and Community Development, as adopted in Resolution 31087 and last amended by Ordinance 123886, includes policies for development of housing for low-income households; and

WHEREAS, the ordinance introduced as Council Bill 117536 authorizes the Yesler Terrace Cooperative Agreement, which commits City housing funds for the development of replacement housing and other low-income housing within the Yesler Terrace Redevelopment Area subject to certain conditions, including compliance with City housing policies; and

WHEREAS, the Yesler Terrace Cooperative Agreement contains specific requirements for development of replacement housing and other low-income housing that require amendments to housing policies in the Housing Levy Administrative and Financial Plan and the Consolidated Plan for Housing and Community Development; and

WHEREAS, the Office of Housing, with the Housing Levy Oversight Committee, has developed amendments to the Housing Levy Administrative and Financial Plan, and the Office Housing has developed amendments to the Consolidated Plan for Housing and Community Development; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City Council hereby adopts the 2009 Seattle Housing Levy Administrative and Financial Plan, Program Years: 2012-2013, As Amended September 2012 attached to this ordinance as Exhibit A (the "A & F Plan"), amending and superseding the plan adopted by Ordinance 123643. This A & F Plan is intended to provide policy direction for the implementation of programs funded by the 2009 Housing Levy and for the use of other housing funds to the extent provided in Exhibit A, and not to confer any legal rights or entitlements on any persons, groups or entities. Amendments to the A & F Plan are effective as of the date of passage of this ordinance, but shall not affect any existing contract unless the contract is amended.

Section 2. The City Council hereby adopts the amendments to the 2009 – 2012 Consolidated Plan for Housing and Community Development (as previously amended) that are attached to this ordinance as Exhibit B (Consolidated Plan Amendments), revising the development siting policy in Section 7.1.3, Housing Policies, and adding a related definition.

Section 3. The provisions of this ordinance are declared to be separate and severable. The invalidity of any clause, sentence, paragraph, subdivision, section or portion of this ordinance or any exhibit to this ordinance, or the invalidity of the application thereof to any person or circumstance, shall not affect the validity of any other provisions of this ordinance or its exhibits, or the validity of their application to other persons or circumstances.

Section 4. Any act pursuant to the authority of this ordinance and consistent with Exhibits A and B, following passage by the City Council but prior to the effective date of the ordinance, is ratified and confirmed.

Section 5. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the ____ day of _________________________, 2012, and signed by me in open session in authentication of its passage this

_____ day of ____________________, 2012.

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President __________of the City Council

Approved by me this ____ day of _____________________, 2012.

____

Michael McGinn, Mayor

Filed by me this ____ day of ___________________________, 2012.

____

Monica Martinez Simmons, City Clerk

(Seal)

Exhibit A: Housing Levy A&F Plan, as amended

Exhibit B: Amendments to the Consolidated Plan

Maureen Kostyack/Traci Ratzliff
OH Housing Policies EXH A
September 6, 2012
Version #11

City of Seattle

2009 Housing Levy

Administrative & Financial Plan

Program Years: 2012-2013

as amended September 2012

(includes provisions for use of other housing funds)

Seattle Office of Housing

Rick Hooper, Director

Exhibit A to OH Housing Policies ORD

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INTRODUCTION

The 2009 Seattle Housing Levy provides $145 million over a 7-year period to provide, produce, and/or preserve affordable housing in Seattle and to assist low-income tenants in Seattle. The Housing Levy funds five programs:

1. Rental Preservation and Production
2. Operating & Maintenance
3. Homebuyer
4. Acquisition & Opportunity Loans (NOTE: there is not a separate allocation for this program; rather, loans may be made from fund balances from other Levy programs)
5. Rental Assistance (beginning in 2012)

The 2009 Housing Levy, approved by Seattle voters in November 2009, includes property tax levies authorized for seven years, from 2010 through 2016. The Office of Housing (OH) administers all 2009 Seattle Housing Levy programs with the exception of the Rental Assistance Program, which will be administered by the Human Services Department beginning in 2012.

Ordinance 123013, passed by City Council on June 12, 2009, placed the Levy proposition on the November ballot and directed OH to prepare a Levy Administrative and Financial Plan (A & F Plan) every two years beginning in 2010. The A & F Plan includes the funding plan for the levy and policies governing administration of each levy program. The A & F Plan may also include other information as the Mayor or Housing Director may deem appropriate or the City Council may request.

The Levy A & F Plan is adopted by City Council by ordinance, with such modifications as the City Council may require. A draft A & F Plan is first developed by OH with input and assistance of working groups that include housing provider representatives, the Seattle Housing Authority, business groups, groups addressing homeless and other human service issues, and other interested community members. The Housing Levy Oversight Committee reviews the draft and makes recommendations to the Mayor and City Council. This A & F Plan governs Housing Levy programs for two years, 2012 and 2013.

The contents of this Plan are not intended to confer any legal rights on actual or potential project borrowers, applicants, or other persons. The terms of this Plan are subject to revision by

PROGRAM FUNDING PLAN

All revenues collected from the additional taxes levied for housing are deposited in the Low-Income Housing Fund in subfunds or accounts created by the Director of Executive Administration as needed to implement the purposes of the 2009 Levy.

Levy revenues in the Low-Income Housing Fund shall fund the Rental Preservation & Production, Homebuyer, Operating & Maintenance, and Rental Assistance programs. Table 1 below shows fund totals for those programs based on projected amounts of additional taxes levied for low-income housing. Total annual amounts available for administration of these four Levy programs are also shown in Table 1. Administration funding shall be allocated proportionally to the annual funding amounts of the four Levy programs. Administration revenues shall be transferred to the Housing Operating Fund annually based on staffing and other operating costs needed to administer the Rental Preservation & Production, Homebuyer, and Operating and Maintenance programs. Starting in 2012, the Office of Housing will transfer to the Human Services Department revenues funding the Rental Assistance program, including funding for administration.

Program income from the 2009 Levy shall be used to fund programs from which the program income is derived, which are predominantly the Rental Preservation & Production and Homebuyer programs. Program income from repayment of Acquisition & Opportunity Loans shall be used to fund the program from which the loan funds originated.

Investment earnings from 2009 Operating & Maintenance Program fund balance shall be allocated to that program. Investment earnings from other 2009 Levy fund balances shall be allocated to each Levy program in proportion to program funding levels for that year, excluding Administration and Acquisition & Opportunity Loans, as shown in Table 1. Investment earnings shall be used in the same manner as the Levy program to which it is allocated.

under RCW 84.52.105 pursuant to the 1995 and 2002 Levies shall be used only to finance affordable housing for very low-income households.

Original Levy Program	Program policies that now apply to program income and investment earnings
1986 Levy	
• Small Family Program	• 2009 Levy Rental Preservation & Production
• Large Family Program	• N/A Units in SHA's inventory
• Downtown Preservation	• 2009 Levy Rental Preservation & Production
• Special Needs Housing	• 2009 Levy Rental Preservation & Production
1995 Levy	
• Rental Production	• 2009 Levy Rental Preservation & Production
• Homeowner Rehabilitation	• Homeowner rehabilitation guidelines in Consolidated Plan
• Homebuyer Assistance	• 2009 Levy Homebuyer Program
2002 Levy	
• Rental Preservation and Production	• 2009 Levy Rental Preservation & Production
• Homebuyer Assistance	• 2009 Levy Homebuyer Program
• Neighborhood Housing Opportunity	• 2009 Levy Rental Preservation & Production
• Rental Assistance	• N/A 2002 Levy funds spent---do not revolve

RENTAL PRESERVATION & PRODUCTION PROGRAM

Housing Levy Funds	TOTAL 2010-2016	YEARS 2012-2013
Amount	*$104,165,000*	*$29,935,334*
Goal	*1,670 units*	*475 units*

The Office of Housing's Rental Housing Program funds the development of affordable rental housing in Seattle using the Housing Levy Rental Preservation and Production Program funds and other fund sources. At least once per year, OH publishes a Notice of Funds Available (NOFA) for the Rental Housing Program. The NOFA describes specific funding priorities and requirements for each available fund source, of which the Housing Levy is the largest.

The following program objectives and policies apply to the Rental Housing Program as a whole unless otherwise indicated as specific to the Housing Levy Rental Preservation and Production Program. Additional Rental Housing Program policies are published in Seattle's Consolidated Plan for Housing & Community Development, including additional requirements for federal funds administered by the Office of Housing.

RENTAL HOUSING PROGRAM OBJECTIVES

The following objectives will guide the Rental Housing Program:

- Provide a mix of affordable rental housing, consistent with Levy affordability policies, promoting housing opportunity and choice throughout the City.
- Working collaboratively with other funders of affordable rental housing, ensure that the greatest number of quality affordable housing units are preserved or produced each funding round.
- Contribute to countywide efforts to end homelessness by providing housing that serves individuals and families who are homeless or at risk of homelessness.
- Promote cost-effective sustainable design, construction, rehabilitation, and operations of affordable housing.

households with incomes from 50% to 80% of median income) is encouraged in underdeveloped areas in the city where higher percentages of low-income residents or housing exist. In addition, OH will emphasize housing that addresses the following over-arching goals:

- Contributes to City efforts to create sustainable transit-oriented communities: create or preserve affordable housing opportunities in **areas with high capacity transit stations or high frequency transit service** where the City is making transportation, infrastructure and other investments and, if available, other housing subsidies for transit-oriented communities can be secured (see Program Definitions, page 45). Maps showing these areas will be available at the Office of Housing and will be published in NOFA documents.
- Contributes to City and countywide efforts to end homelessness: preservation or new construction of housing serving individuals and families who are homeless or at risk of homelessness.

The following are funding priorities for specific populations to be served in rental housing:

Housing for homeless families, individuals and youth, including chronically homeless individuals with disabling conditions.

Housing for the homeless continues to be a critical need in Seattle. Over 1,700 people are homeless on the streets in Seattle on any one night and many more in shelters and transitional housing; and Seattle Schools report 1153 homeless students over the 2009-2010 school year. A range of housing, combined with supportive services, is needed to assist families, individuals and youth regain housing stability and work toward self-sufficiency. The Office of Housing works closely with other funders to maximize services and operating funding dedicated to housing for the homeless. Funding coordination is especially important for permanent supportive housing. A "Housing First" model has demonstrated success in Seattle and nationally. These programs provide housing and intensive services for people with disabilities who have long or repeated histories of homelessness, and for people who are high utilizers of public health and justice systems. Housing First also saves significant public costs such as for emergency services. Projects using this model will be prioritized so that those most in need are served and system-wide cost savings can be achieved. In addition, projects that use cost effective measures to create housing for homeless families, individuals and youth, including but not limited to single room occupancy units, and acquisition and moderate rehabilitation of existing housing, are encouraged.

Proposed projects serving homeless populations will be prioritized if they demonstrate a high likelihood of securing funds to provide appropriate levels of supportive services to help prioritized. A mix of unit sizes to accommodate families is preferred in new construction projects.

PROGRAM POLICIES

I. Housing Levy Affordability Requirements

Affordability guidelines are applied Levy program-wide during the two-year term of this A & F Plan, not on a project-by-project basis. All 2009 Levy Rental Preservation and Production Program funding awarded during the term of this A & F Plan will be included in calculating the affordability policy performance. Housing Levy funds for the Rental Preservation and Production Program are subject to the following affordability policy:

- At least 60% of funds shall be used for housing serving households with incomes at or below 30% of median income;
- Up to 10% of funds may be used for housing serving households with incomes from 61% to 80% of median income; and
- The balance of funds shall be used for housing serving households with incomes from 30% to 60% of median income.

II. Eligible and Ineligible Activities and Costs

Rental Housing Program funds shall be used to fund the preservation and production of rental housing. Funds may be used to finance entire developments, individual units, or residential portions of a development.

A. Eligible costs

Eligible costs include, but are not limited to:

- Appraisals
- Architectural/engineering fees
- Capitalized Operating Reserves
- Capitalized Replacement Reserves
- Closing costs
- Construction
- Contingency
- Developer fees
- Inspections & Surveys
- Insurance
- Interest
- Option costs
- Permits
- Reimbursement of pre-development costs*
- Professional Fees

2. The final cost certification confirms the allocation of appropriate non-Rental Housing Program funds for such spaces.

D. Leases

Site control through ownership of a property is preferred to site control through a long-term lease except in cases where the City is lessor, or the lessor and the lessee agree to accept the loan conditions described below and the City receives security in both leasehold and fee interests. Projects involving a borrower that is a lessee where the lessor and lessee do not both accept these terms and conditions will be permitted only if the project represents an unusual cost-effective opportunity or furthers other community development objectives. At a minimum, the following conditions will apply to properties where the borrower is the lessee and the owner does not agree to accept the normal loan term and conditions above:

1. Repayment: Loans involving leases must be structured to provide for repayment over the life of the lease. The OH Director may modify the normal repayment terms, as appropriate, by requiring different terms from or in addition to those generally specified by this Administrative and Financial Plan.
2. Lease term: Minimum lease term is 50 years with a preference for longer terms when feasible. The lease term must exceed the City loan term by at least six months.
3. Security: Security for the City loan should be appropriate to protect the City's interest in repayment of the loan.

E. Replacement housing obligations

Levy Rental Preservation and Production Program funds shall not be used to finance development of replacement housing developed as a condition to a tax exemption through the Multifamily Tax Exemption program or a Major Institution Master Plan boundary expansion. If the City receives funds from a Major Institution to satisfy the replacement housing requirements under SMC 23.34.124 .B.7, no permanent City funding shall be used in the development of these units. In addition, the Office of Housing shall use the funds received from a Major Institution to develop replacement housing consistent with any conditions included in the Major Institution Master Plan.

proceeds are used for an eligible project. In general, the project owner or lessee in such cases must agree to the City's regulatory terms and must provide a deed of trust for the benefit of the City or assigned to the City.

~~III.~~ IV. Project Requirements

A. Eligible Borrowers

Through the NOFA selection process, priority will be given to applicants that have demonstrated ability to develop, own, and/or manage affordable housing. Applicants that do not have previous experience in these areas will be expected to propose an appropriate relationship with an entity that does have this experience. OH will evaluate the experience of an applicant's development team, management team, Executive Director, staff, and Board of Directors to determine there is sufficient capacity to develop, own and operate housing on a long-term basis. The applicant, proposed borrower, and all Affiliated Entities of each of them (whether or not involved in the proposed project) must be in Good Standing on all existing loans and subsidy contracts administered by OH. Good Standing is defined in Section IX Project Monitoring.

Eligible borrowers are:

1. Nonprofit agencies: Eligible nonprofits must have a charitable purpose. The City's preference is to provide funding to nonprofit borrowers that have established housing as a primary mission. Private nonprofit agencies will be required to submit articles of incorporation and an IRS letter as proof of nonprofit status.
2. Any corporation, limited liability company, general partnership, joint venture, or limited partnership created and controlled by a nonprofit or public corporation in order to obtain tax credits or for another housing-related objective approved by OH.
3. Public Development Authorities.
4. Seattle Housing Authority (SHA), except that Levy Rental Preservation and Production funds for housing units developed as part of SHA HOPE VI (or successor program) redevelopments are not eligible unless the City Council approves such use through a Memorandum of Agreement or other agreement with SHA.
5. Private for-profit firms: Eligible for-profits must have experience developing, owning, and managing multifamily rental housing.

costs are all components of typical development budgets, including site acquisition, construction costs, and soft costs.

The City's maximum percentage includes all Rental Housing Program funds and other City capital funds including, but not limited to: Housing Levy, Community Development Block Grant, HOME, Residential Bonus Program, Commercial Bonus Program, any special mitigation funds, program income, Office of Economic Development (OED) equity funds, and OED Community Development Corporation and technical assistance funds used as capital for development or other long-term capital gap-financing subsidy. The City's maximum percentage of project financing also includes document recording fees awarded by King County. The maximum percentage does not include any funds used by the City to purchase transferable development rights (TDR). Bridge loans, Acquisition & Opportunity Loans and Section 108 loans are not included in computing the percentage.

The OH Director may allow for up to a total of 50% of residential TDC to be paid by City funds for projects that meet one of the following criteria:

1. Projects that are located in an area with little or no subsidized housing or in an area identified in the City's Comprehensive Plan or other adopted policies as one in which subsidized housing should be encouraged.
2. Projects that provide special amenities and/or unique design features for the proposed tenant population such as large units for families; units requiring reconfiguration to meet the needs of the proposed population; or special design features resulting from the participation of potential tenants and/or community members in project development.
3. Projects where other public funders have made their maximum award and the project is a rental housing priority as described in this A & F Plan or the City's Consolidated Plan. The OH Director may ask borrowers to apply for other fund sources later, if appropriate.

E. Consolidated plan policies

Rental Housing Program projects must also comply with applicable requirements stated in the City's Consolidated Plan for Housing and Community Development regarding siting, community notification, fair contracting, Section 3 contracting and hiring for low-wage workers, National Environmental Policy Act, Women and Minority Business Enterprises, relocation, displacement, and real property acquisition, and affirmative marketing.

Wage Rates (unless modified as stated below) or Davis-Bacon wage rates will apply to each job classification, unless applicable law requires otherwise. The OH Director may approve a change in these prevailing wage requirements if necessary to achieve compatibility with a state or federal funding source or to promote inclusion of Levy-funded units in mixed income and/or mixed-use buildings. The Office of Housing works closely with the Department of Executive Administration to monitor the payment of appropriate wages under a published set of procedures. In cases where Davis Bacon wages are triggered, Davis Bacon monitoring procedures are followed instead of OH monitoring procedures.

E. Apprenticeship programs

Borrowers are encouraged to require contractors to participate in State-approved apprenticeship programs.

F. Project labor agreements

Applicants who demonstrate to OH's satisfaction that use of a project labor agreement would be beneficial for project development may require a project labor agreement.

G. Washington State Evergreen Sustainability requirements

All OH-funded Rental Housing Program projects must follow the Washington State requirements for Evergreen Sustainable Development Standards. Details are available through the Washington State Department of Commerce.

~~V.~~VI. Project Selection

A. Notice of Funds Available

At least once per year, the City will issue a Notice of Funds Available (NOFA) for the Rental Housing Program. The NOFA will provide application requirements, details on specific fund sources available, application forms, and deadlines. Minor deficiencies and clarifications may be corrected during the review process. Incomplete applications will be withdrawn from competition.

All applicants are required to attend a project pre-application conference with OH staff prior to submitting an application for funding.

11. Relocation Plan, if applicable

12. Operating Pro Forma, including 15 year operating Pro Forma with proposed rents and required rental assistance or operating subsidy; taxes, insurance, utilities, salaries, management fees, replacement and operating reserves, maintenance supplies and services.

13. Support services: budget and support services plan, if applicable.

14. Community notification—description of results of community notification process and any results at time of application and plans for additional notification activities. Proposal must describe how community issues or concerns raised will be addressed.

C. Proposal review

Funding applications are reviewed and evaluated in detail by OH staff based on the requirements listed in this section and additional criteria published in the NOFA. OH staff works closely with the other public funders that have been requested to fund each project. The public funders collaborate on proposal evaluations and financing strategies that meet the requirements of each fund source while maximizing the number of affordable housing units that can be produced and/or preserved each funding round.

When all projects have been evaluated, staff makes funding recommendations to a Credit Committee composed of persons appointed by the OH Director to serve as advisors from the private and public sectors and members of the Mayor's Office and City Council who have expertise in affordable housing financing and/or public policy. The OH Director, whose decisions on funding shall be final, makes funding awards based on the Director's judgment as to the merits of the proposed projects; their strengths in meeting the goals and requirements of the NOFA and this A & F Plan; the overall mix of projects funded by the City; and the leveraging of public resources to preserve or produce the highest number of quality affordable housing units each funding round. Results are reported to the Housing Levy Oversight Committee and made public.

D. Fund reservation

The OH Director authorizes fund reservations for each selected project that provide information about fund source requirements; funding levels; and conditions that must be met prior to closing. Fund reservations are not binding on the City until contract documents are negotiated and signed by both the Director and the owner.

A. Loan terms

Permanent loan terms will be a minimum of 50 years. OH may provide an acquisition or construction loan for a much shorter term that is eligible for conversion to a permanent loan upon satisfaction of conditions

B. Interest rate

The interest rate for projects not using low-income housing tax credits will generally be 1% for nonprofit-sponsored projects and 3% for private for-profit-sponsored projects. The interest rate for projects using low-income housing tax credits will be a minimum of 1% simple interest and a maximum of the Applicable Federal Rate for the purposes of Section 42 of the Internal Revenue Code, depending on the project's projected capacity for repayment. The actual interest rate for projects using low-income housing tax credits will generally range from 1-3% and will be set on a case-by-case basis. The interest rate will exceed 1% where there is a net financial benefit to the project. The purpose of establishing a range for the interest rate on Rental Housing Program funds is to provide flexibility in financial structuring to maximize tax credit equity contributions and to help preserve long-term affordability. Interest on program loans will accrue annually as simple interest.

C. Repayment

OH will generally make deferred payment loans that are payable in full on sale, on change of use, or at the end of the loan term. Terms generally will permit borrowers to further defer payment of principal, deferred interest, and contingent interest by extending the loan term. Amortizing loans will be required if project budgets can afford repayment and meet required rent levels. Terms of repayment required will be established as each project is reviewed. OH will develop policies to address replacement reserve levels in buildings that have been funded with Levy Rental Preservation & Production Program funds.

D. Transfer and assumption

The OH Director may permit the transfer and assumption of the loan, and the transfer of the property acquired, constructed or rehabilitated with the proceeds of the loan, without requiring repayment of principal, interest or other amounts owing under the loan at the time of the transfer, under any of the following circumstances:

- The loan is assumed by a tax credit entity and the entity makes a substantial equity investment in the low-income housing;

H. Contingent interest

City participation in project equity (contingent interest) shall be required for all Rental Preservation & Production Program projects in the event of change of use or sale of property before the loan maturity date. Upon sale, change of use, acceleration or prepayment of the loan, loan principal plus the greater of either deferred interest or contingent interest shall be due. Contingent interest shall be calculated according to a formula established by OH.

The City's contingent interest should reflect the amount of City funds contributed as permanent financing to a project and should be modified by any additional funds contributed during the loan term, such as capital contributions approved by the City or borrower subsidy necessary to cover operating losses. For example, if the loan is paid or becomes payable before the maturity date, if City funds are 50% of total project costs, the City should receive, in addition to repayment of its principal, 50% of proceeds remaining after repayment of approved project debt (but not including contingent interest owing to other project lenders).

I. Prepayment premium

Prepayment of loans under the Rental Preservation & Production Program will be subject to Office of Housing approval. Such approval shall not be unreasonably withheld if the borrower provides adequate assurances of future compliance with the affordability and occupancy restrictions in the regulatory agreement and recorded covenant. If a borrower repays the City loan (principal plus the greater of interest or contingent interest) during the first 15 years of the loan term, a prepayment premium shall also be due.

The prepayment premium shall be 50% of the original loan principal if the loan is repaid during the first five years of the loan term. The prepayment will decline by 5% per year in years 6 through 15. There will be no prepayment premium after 15 years.

Prepayment premiums shall not be due in the event of involuntary prepayment, due to casualty where there are insufficient insurance proceeds or other sources reasonably available to complete the repairs or condemnation.

J. Loan term extension

Any unpaid principal balance and accrued, but unpaid interest on OH loans will be due and payable at the end of the 50 year loan term. Loan documents may provide borrowers with an option of extension, or, in certain circumstances described below, satisfaction of some or all of the amounts owing through extended provision of affordable housing. At the end of the loan term, borrowers will be encouraged to extend the loan term and continue to extend the period

~~VII.~~VIII. Management and Operations

Good management is critical to the overall success of projects. Project borrowers will be required to submit a management plan to OH for approval.

A. Management plan

Management plans should include the following:

1. Occupancy standard (# of persons per unit) that is consistent with Federal, State or City Fair Housing standards.
2. Rent standard (household income and rents) that complies with contract restrictions.
3. A management philosophy that is appropriate for the target population.
4. Affirmative Marketing Plan that complies with Federal, State and City laws and demonstrates outreach to all segments of the community and protected classes. Borrowers serving homeless and diverse populations must demonstrate cultural competency.
5. Roles and Responsibilities of key staff and contracted management.
6. Maintenance Plan including a schedule of routine and preventative maintenance; a schedule of inspections; and the long term maintenance plan.
7. A Capital Needs Assessment (CNA) that includes a 20 year schedule of major replacements with a corresponding schedule of replacement reserve account deposits.
8. Budget: Annual projection of income, expenses, capital improvements, and reserve accounts.
9. Operating Policies and Procedures for the following management functions, at a minimum:
    a. Leasing: referrals, screening criteria, selection, income qualification, and a copy of the lease or program agreement.
    b. Rent: Rent collection, deposits, late payments, addressing damage to units, rent increases
    c. Commitment to the City's Just Cause Eviction Ordinance.
    d. Management of tenant files and records
    e. Work order and Repair process
    f. Unit turnaround: filling vacancies
    g. Building security and emergency plan
    h. Community education and involvement plan for addressing complaints or issues raised by tenants and neighbors about the building or tenants.

C. Rent increases

Modest rent increases are permitted as operating costs increase to avoid undue financial hardship on borrowers so long as sudden, sizeable rent increases that could displace residents are avoided. During the loan term, borrowers may raise rents for occupied units up to 1.5% per annum or up to the percent increase in the Housing Component of the Consumer Price Index (CPI) for Rent of Primary Residences for the Seattle area, whichever is greater, provided that the adjusted rent does not exceed the maximum Affordable Rent for the target income category specified in the project regulatory agreement. OH may provide an allowance for a borrower to raise rents higher than this for projects that have experienced extraordinary expenses so long as the higher rent remains consistent with the applicable affordability restrictions.

Borrowers should not raise rents for existing tenants immediately after rehabilitation or acquisition to avoid displacement of low-income tenants. Post-rehabilitation or post-acquisition rent increases that exceed ordinary annual rent adjustments will be considered only if necessary to ensure adequate project operating funds.

Tenants who are income-eligible at the time of their initial occupancy or the time of City funding, whichever is later, are not generally required to be relocated when their incomes exceed the restrictions of their unit. However, such over-income tenants are subject to separate mandatory or optional rent increases, or both, as follows: (1) If a tenant's income surpasses 140% of the maximum income limit for the unit, borrowers must charge the maximum restricted rent for that unit, and (2) If a tenant's income surpasses 65% of median income, the borrower has the option of raising the rent to a level up to 30% of the tenant's income at the following year's income certification, regardless of the maximum restricted rent. Upon unit turnover, rents may be adjusted to the maximum allowable rent based on number of bedrooms and affordability level.

If an agreement with HUD requires a higher rent for a Yesler Terrace Replacement Housing unit than this section would permit, SHA may increase rent for any tenant whose income exceeds the restriction of their unit (generally 30% of median income) up to the level required by HUD and as approved by OH.

All rent increases are subject to other funder restrictions, and State and local law.

7. Physical conditions: The Property is maintained in good and tenantable condition and repair that ensures safe, secure and sanitary conditions. The property must comply with the Seattle Housing and Building Maintenance Code and Housing Quality Standards. Spaces must be used for their intended purposes (housing units, common areas, storage, accessibility etc.). The project's sustainable 'green' features are maintained and operating as designed.

8. Long-term replacement needs and capital improvements are adequately planned for and completed on schedule according to capital needs assessment (CNA) schedule of replacements. Preventive maintenance and repairs are completed according to maintenance plan and schedule.

9. Sound project fiscal management: The project is operated according to sound fiscal management practices, and all reserves, taxes, utilities and debt service including any amounts due to the City are paid on schedule and reported as required.
   a. Revenue management: The borrower collects rents in a timely manner and in a way that ensures adequate income to the property; ensures compliance with contracts for operating subsidy and rental assistance.
   b. Expense management: The borrower manages expenses by re-evaluating and re-procuring goods and services from time to time.

10. Community relations: The housing project is a good neighbor, which is measured by good maintenance, street appearance, and responsiveness to neighborhood concerns and complaints.

B. Annual Performance Letters; Actions to Resolve Findings

OH will provide a performance letter each year to all borrowers specific to their projects that have at least one full year of operation. The performance letter will:

1. summarize OH's review of compliance and performance in the project monitoring areas described above;
2. identify any instances of major or chronic non-compliance with terms of the loan agreement, subsidy contract or other loan documents ("Findings");
3. specify actions required to resolve Findings that must be performed and documented by the borrower by a certain deadline, and/or specify a date by which the borrower must submit a plan to resolve Findings for OH review and approval.

person, unless expressly so agreed in writing by OH. For example, OH may pursue remedies for any default under loan documents even though the default is not considered a Finding.

of the contract, except to the extent that OH and the project sponsor shall agree to substitute different terms consistent with these policies.

A. Eligible projects; Project selection for initial commitments

New rental projects funded with 2009 Levy capital funding are eligible for 2009 Levy O&M Program funding subject to 2009 Levy O&M Program policies. Private owners and developers as well as all types of nonprofit agencies, including public development authorities and other public agencies, are eligible to participate in the program.

In response to a Notice of Funding Availability (NOFA), sponsors will submit proposals for program subsidy along with their application for capital funding. Proposal requirements for the program will be included in the NOFA.

The project review process considers the following project characteristics:

- The reasonableness of the proposed operating budget;
- The amount of operating and supportive service funds leveraged by the project;
- The experience of the sponsor in serving similar populations as well as their general affordable housing development and management experience;
- The adequacy of the management plan for the proposed tenant population and building;
- The scope of rehabilitation and whether the work minimizes operating expenses;
- The adequacy of the maintenance plan in maintaining the building and preventing long-term maintenance problems; and
- The commitment and reasonableness of support services, if necessary, for the proposed tenant population.

Some households may have little or no income when first moving into O&M-subsidized housing. In these instances, the minimum tenant share of income paid for rent mentioned above may be waived or reduced until the household qualifies for public assistance or becomes employed. Sponsors must include any plan to temporarily reduce the share of tenant income required for rent in their application for O&M support, and must demonstrate that the housing units will be financially viable with the anticipated rent charged.

E. Adjustments to gross income

When determining rents, two adjustments to a household's gross income may be made. For a household having unreimbursed medical expenses in excess of three percent of its annual income, gross income can be reduced by the amount in excess of three percent. These expenses can also include non-medical expenses for the assistance and care of household members who are handicapped or disabled.

Another allowable deduction is the out-of-pocket costs for childcare (for children under 13 years of age) when it is necessary for employment or education of an adult household member. The cost of childcare can be deducted from gross income. The amount must reflect the reasonable cost of care.

F. Non-subsidized units

When a household, in an O&M subsidized unit, has an increase in income that results in a household income greater than 30 percent of median income, the household is determined "over-income" and the unit is no longer eligible to receive subsidy. In such cases, the O&M subsidy amount would be adjusted from the date the unit was determined ineligible based upon a revised calculation of the gap between income and expenses for eligible units. The household may have an adjustment in rent depending on the terms of the City Regulatory Agreement or conditions of other funding.

or more, and from sponsors receiving an annual total of $50,000 in O&M subsidies for multiple projects. The audit must verify that the program funds were used for eligible expenses and that actual expenditures correspond to the project's approved operating budget. Projects with a program subsidy of less than $35,000 and total project revenue of less than $100,000 are not required to submit an audit, but are required to submit a detailed year end financial statement.

- Replacement and Operating Reserves: Replacement reserve deposits are an eligible operating expense. O&M funds can be used to fund replacement reserves to a maximum set by the OH administrator, with disbursements from reserves restricted to repairs and replacement of major building components as approved by OH. The amount added to the reserve will be based on OH loan conditions and periodic Capital Needs Assessment Plans to be prepared by sponsors evaluating capital needs and the schedule for required replacement reserve expenditures.

  Operating reserve deposits to cover unforeseen operating costs are an eligible expense. The annual deposit amount is normally 2.5% of total annual operating expenses. The operating reserve account is considered adequate when the balance is equal to 50% of a year's operating budget. The operating reserve may also be used to pay for building improvements that cannot be entirely funded by the replacement reserve. As part of the management plan, each sponsor must provide their policy and procedures for managing reserve accounts. The requirements and limits on replacement and operating reserves for specific projects may be adjusted periodically by the Office of Housing based on a review of the capital needs and operating risks of projects and of other public funder standards.

The program will not subsidize debt service. O&M subsidies may be provided to a portion of units in a larger mixed-income project that has debt service, provided that all debt service costs are carried by the income from the non-O&M supported portion of the building and also demonstrate a shortfall between income and expenses. At no time will O&M subsidy be applied to a project for a shortfall on the non-O&M supported portion of the building.

J. Subsidy term

O&M subsidy awards have a maximum contract term of 20 years from the date that the O&M units are complete and occupied. Subsidy is subject to availability of funding and to annual reviews that may result in adjustments to subsidy amounts or discontinuance of subsidy, in the discretion of OH. For example, subsidies may be reduced or discontinued if increasing revenues

- Capital Needs Assessment updates and details on major repair and maintenance work planned for the next year, if any including an estimate of the work and source of funds.
- Examination of services outcomes and copies of service contracts.
- A narrative report explaining how the subsidy received in the prior year and the subsidy requested for the next year will allow the sponsor to meet its commitment to serve extremely low-income households.

M. Subsidy payments and adjustments

Subsidy will generally be paid to projects on a quarterly basis. The amount and the conditions for providing subsidy will be negotiated between OH and the sponsor, and established in an annual contract amendment. The amount of subsidy paid each quarter will depend on the operating budget and cumulatively cannot exceed the approved annual amount. Sponsors will be required to provide quarterly financial reports. Sponsors may request subsidy readjustment at any time; however, except for unusual circumstances, OH will review just one adjustment request per project annually.

Adjustments to the subsidy amounts prior to the annual review will only be made when it is determined by OH to be reasonable due to unforeseen circumstances if in the judgment of OH, there are sufficient uncommitted O&M funds to provide an increase.

A project that is showing a surplus at the end of the year may be (1) required to make repayment to OH or (2) make additional contributions to replacement reserves in the amount of the surplus, or (3) if reserve balances are deemed adequate, the surplus will be applied to the following year and reduce the O&M subsidy amount if OH deems that the need for additional subsidy is due to circumstances within the sponsor's control, such as low occupancy, then the sponsor may be required to provide a plan for corrective action before requesting a subsidy adjustment.

PROGRAM OBJECTIVES

Consistent with the goals of the Ten-Year Plan to End Homelessness in King County, the Rental Assistance Program focuses resources to prevent homelessness and/or immediately house those who do experience homelessness. The annual program goal is to assist 605 households and to evaluate their housing stability after 6 months. Program activity and performance will be monitored with our region's Homelessness Management Information System, Safe Harbors.

PROGRAM POLICIES

A. Eligible households

To be eligible to apply for Rental Assistance Program funds, households must meet all the following requirements:

- reside in Seattle City limits
- 50% of area median income or below
- homeless or at risk of homelessness
- inadequate financial resources to maintain stable housing

B. Eligible use of funds

Financial assistance is available for:

- Rent payments
- Move in costs (background check fees, first and last month's rent)
- Security and/or utility deposits
- Limited rent or utility arrears needed to obtain or retain secure, stable housing

C. Program requirements

Levy funds will be administered by contractors, selected via a competitive process, who demonstrate ability to do the following:

- Provide short-term (1 to 3 months) or medium-term (4 to 6 months) financial assistance to prevent homelessness
- Provide case management services
- Monitor housing stability outcomes for participants 6 months after all program assistance has ended

HOMEBUYER PROGRAM

	TOTAL 2010-2016	YEARS 2012-2013
Program funding	*$9,090,000*	~~*$2,457,500*~~ *$2,653,000*
Goal	*180 homebuyers*	*~~49~~52 homebuyers*

Levy Homebuyer Program funds ~~assist~~ help create affordable homeownership opportunities for low-income first-time homebuyers ~~to purchase homes~~ in the City of Seattle. Levy funding can be used for ~~direct~~ homebuyer assistance loans, or for site acquisition and development costs for affordable for-sale homes that will be sold to eligible first-time homebuyers.

PROGRAM OBJECTIVES

The Homebuyer Program is intended to provide an ongoing resource to enable low-income "first-time homebuyers" (see definition under "Program Policies," subsection C., below) to purchase a home in Seattle. Homeownership provides housing stability, independence, and an opportunity for economic advancement. The ~~homeowner~~ homebuyer takes on the responsibilities of repaying loans and maintaining property, and in return gains security with a fixed housing payment, an economic resource that can help the family invest in education or weather financial crises, and an asset to pass on ~~wealth~~ to succeeding generations. Providing first-time homebuyer assistance benefits the entire city by enabling people with moderate wages to live close to their workplace and to contribute to the vitality of local community life.

The following general program objectives guide the Homebuyer Program:

- Assist first-time homebuyers to acquire their home at an affordable cost that will enable them to manage the costs of homeownership and to realize a reasonable share of any increase in home value so they can purchase other housing when family needs change.

- Create an on-going resource to assist future low-income first-time home-buyers through resale restrictions that will maintain an affordable home price and/or loan repayment terms that will generate funds to assist future home purchasers.

Borrowers may purchase any type of residential property, whether currently owner- or renter-occupied or vacant. If tenants are displaced as a result of a sale to a buyer who will become an owner-occupant under this program, tenant relocation assistance, if any, will not be paid out of Levy funds.

C. Homebuyer eligibility

Buyers benefited by the program must be low-income, first-time homebuyers.

Low-income means income not exceeding 80% of median income.

First-time homebuyer is defined as any individual and his or her spouse/partner who have not owned a home during the 3-year period prior to the individual's purchase of the home. The term first-time homebuyer also includes an individual who is a displaced homemaker or single parent, as defined in 24 CFR Part 92 HOME Investment Partnership Program, Section 92.2 Definitions, as follows:

Displaced homemaker means an individual who:

1. Is an adult;
2. Has not worked full-time full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; and
3. Is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

Single parent means an individual who:

1. Is unmarried or legally separated from a spouse; and
2. Has one or more minor children of whom the individual has custody or joint custody, or is pregnant.

OH may narrow the definition of "first-time homebuyer" in order to ensure equitable treatment between married and non-married persons. OH may, for the same purpose, expand the "single parent" eligibility category.

Eligible buyer households must successfully complete a pre-purchase homebuyer education program approved by OH. Borrowers must be able to financially qualify for a first mortgage approved by OH. <u>Homebuyers may use any first mortgage product approved by OH, including FHA and Fannie Mae products, and portfolio loans. FHA 203(k) purchase-rehabilitation loans are also eligible, provided the rehabilitation amount exceeds $5,000.</u>

In order that single-source subordinate mortgages may be provided for the convenience of borrowers, in lieu of assistance from Levy or other City funds and non-City sources to the same borrower, OH may allow a higher amount of City-funded homebuyer assistance, not to exceed $70,000, for a borrower that receives assistance made as part of a project or lending program for which a developer or nonprofit lending agency has obtained commitments of non-City homebuyer subsidy funds, but only if all of the following conditions are satisfied:

~~1.~~ a. Non-City subsidy funds provided to such project or program must be used for deferred subordinate mortgages or other assistance that increases the ability of low-income households to purchase a home.

~~2.~~ b. The average amount of City-administered homebuyer assistance for all eligible households benefited by the program, including buyers who do not receive any City-administered funds, may not exceed $45,000.

Subordinate mortgage l~~L~~oans will generally be 30-year deferred loans. Loans may include provisions for payment of a share of appreciation. Any share of appreciation payable may be reduced and/or eliminated over time. Loan repayment terms shall specify the interest rate, which generally shall not exceed 3% simple interest; loan term; period of payment deferral; and any contingent interest or share of appreciation. The terms of the subordinate mortgage loans shall provide that the entire principal balance is due upon sale or refinancing of the home, at the lender's option, to the extent permitted by applicable law. However, OH may permit assumption of the loan by another eligible buyer household in lieu of repayment.

2. Loans to Nonprofits for Resale Restricted Homes

When Homebuyer Program funds are used to fund acquisition loans to nonprofits that make resale restricted homes available for sale, guidelines in this subsection D.2 apply. OH may provide loans to nonprofits that make resale restricted homes available for purchase by eligible homebuyers. Resale restricted homes are homes that, for a period of at least 50 years, upon resale, must be sold to first-time homebuyers with incomes below 80% of median income at a resale price restricted during that period to an amount affordable to a buyer with a household income at 80% of median income. Resale restrictions must be in the form of a ground lease, covenant, or other recorded document approved by OH. Because loans to nonprofits for resale restricted homes are intended to subsidize the home such that the purchase price is affordable to eligible homebuyers for a period of at least 50 years, OH may provide a loan to the nonprofit at

ACQUISITION & OPPORTUNITY AND BRIDGE LOANS

Acquisition & Opportunity Loans

	TOTAL 2010-2016	YEARS 2012-2013
Program funding	*$6,500,000*	*Up to $6,500,000*
Goal	*175 units*	*At least 50 units*

Acquisition & Opportunity (A & O) Loans are made with 2009 Housing Levy funds that are not yet needed for other levy programs. These loans are intended as only short-term uses of other program funds, and repayments are included in the amounts shown available for other levy programs. The amount of funds available for A & O Loans, including outstanding A & O Loans, is estimated to be up to $6.5 million.

Bridge Loans

OH may use any funds derived from the 1986, 1995, and/or 2002 housing levy, alone or together with other funds, to make bridge loans to assist in the development of low-income housing. Housing projects consistent with the objectives and priorities of the Levy Rental Housing and Homebuyer Programs are eligible for bridge loans. Bridge loans funded with prior housing levy funds shall be subject to the same program objectives, priorities and policies as 2009 Levy A & O Loans unless otherwise stated, to the extent consistent with ordinances submitted to the voters (Ordinances 112904, 117711 and 120823) and applicable State law. Repayments on bridge loans funded with prior housing levy funds will be allocated to the subfund from which the loan was made.

PROGRAM OBJECTIVES

A & O Loans are intended to provide short-term funding to permit strategic acquisition of sites for low-income housing development. These loans are expected to be repaid with permanent project financing, which may be from either City or non-City funding sources. Loans are intended to facilitate development of rental or homeownership housing consistent with the objectives and priorities of the Levy Rental Preservation and Production and Homebuyer jmeetings with OH staff will be mandatory. A & O Loans may be made only when, in the judgment of the OH Director, there is a high likelihood that permanent financing for eligible low-income housing will be available on acceptable terms before the loan maturity date.

B. Eligible Borrowers

To be eligible for an A & O loan, the borrower must meet all eligibility requirements for the OH Rental Housing or Homebuyer program, as applicable. In addition, the borrower must have successfully developed and operated at least three affordable housing projects; be in good standing on any OH loans; and have demonstrated capacity to secure permanent financing for the proposed project before the loan maturity date.

C. Loan Rate and Term

- The interest rate on A & O Loans shall be no less than 3% simple interest. Accrued interest shall be paid in full when the loan is repaid.
- The maximum term of an A & O Loan shall be 5 years. The maximum term of bridge loans funded with 1986, 1995, and/or 2002 levy funds shall be 2 years.

limits in subsidized housing, and which adjustments for purposes of determining affordability of rents or sale prices shall be based on the average size of household considered to correspond to the size of the housing unit (one (1) person for studio units and one and a half (1.5) persons per bedroom for other units).

"Program income" means funds received by the City as payments on or with respect to a loan, or recovery from loan collateral, and may include interest and share of appreciation, as required under the terms of the loan.

"Rent" means all amounts charged for the use or occupancy of the project (whether or not denominated as rent or constituting rent under state law), plus a utility allowance for heat, gas, electricity, water, sewer, and refuse collection (to the extent such items are not paid for tenants by the owner).

"Site acquisition" includes the acquisition of interests in land or in improvements to land, or both, and may include repayment of fund sources initially used for acquisition.

"Very low-income" means income not exceeding 50% of median income.

"Yesler Terrace Cooperative Agreement" means Exhibit A to C.B. 117536 as approved by the City Council on September 4, 2012.

"Yesler Terrace Redevelopment Area" is as defined in Exhibit A to C.B. 117536 as approved by the City Council on September 4, 2012.

"Yesler Terrace Relocation Plan" is as defined in Exhibit A to C.B. 117536 as approved by the City Council on September 4, 2012.

"Yesler Terrace Replacement Housing" means one or more of the first 561 housing units constructed or rehabilitated in the Yesler Terrace Redevelopment Area that are restricted to occupancy solely by residents who must relocate due to demolition and construction or households with incomes no higher than 30 percent of AMI, and that satisfy the additional requirements of the Yesler Terrace Cooperative Agreement.

The OH Director may adopt further refinements or interpretations of the above definitions, consistent with the intent of ~~the~~ Ordinance 123013 and Consolidated Plan Housing Policies.

Maureen Kostyack/Traci Ratzliff
OH Housing Policies EXH B
September 6, 2012
Version #5

AMENDMENTS TO THE CONSOLIDATED PLAN

A. This section amends Section 7.1.3 Housing Policies of the 2009-2012 Consolidated Plan, as amended, most recently by Ordinance 123739, which was passed by the City Council on November 14, 2011. The inserted or deleted text below is indicated by underlining or strikethrough formatting respectively. Sections or subsections that are unchanged are not shown.

Development Siting Policy

General Policy

OH will not fund, or certify as consistent with the Consolidated Plan, a project if the proposed number of subsidized rental housing units for extremely low-income households would exceed the capacity for additional subsidized rental housing units for extremely low-income households in the Census block group where the proposed project is located, except as otherwise specified below.

Capacity for additional subsidized rental housing units for extremely low-income households is defined as:

- The sum of the total number of housing units in the Census block group according to the latest data available from the Department of Planning and Development (DPD) (calculated based on Decennial Census data plus net new residential units) plus the total number of rental housing units in the proposed project, multiplied by 20%;
- Less the number of existing subsidized rental housing units for extremely low-income households in the Census block group according to the latest ~~report~~ data available from OH (~~OH's inventory of subsidized rental housing in Seattle~~ includes projects with capital subsidies from public agencies, i.e., City-funded projects as well as non-City funded projects as reported periodically by county, state and federal agencies).

The siting policy does not apply to Yesler Terrace Replacement Housing, or to projects located within the Downtown, Uptown and South Lake Union Urban Centers because of the~~ir~~ special nature of these Urban Centers as high priority areas for affordable housing investment.

B. This section amends the Glossary in the 2009 – 2012 Consolidated Plan, to add the following definition:

"Yesler Terrace Replacement Housing" means "Replacement Housing" as defined in the Yesler Terrace Cooperative Agreement, Exhibit A of Council Bill 117536 as approved by the City Council on September 4, 2012.

***

Form revised: December 6, 2011

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Office of Housing	Maureen Kostyack/5-0986	Jeanette Blankenship/5-0087

Legislation Title:
An ordinance relating to housing for low-income households, amending housing policies in the 2012-2013 Administrative and Financial Plan for 2009 Housing Levy Programs, which also apply to other funds used for housing, and in the 2009-2012 Consolidated Plan for Housing and Community Development, and ratifying and confirming certain prior acts.

- **Summary of the Legislation:**

The Seattle Office of Housing is proposing to amend the Housing Levy Administrative and Financial Plan (A & F Plan) to be consistent with adopted 2012 budget allocations for the Housing Levy, and to amend the A & F Plan and the Consolidated Plan for Housing and Community Development (Consolidated Plan) to implement requirements of the Yesler Terrace Cooperative Agreement. In addition, the legislation makes limited changes to the rental housing and homebuyer policies.

- **Background:**

The Seattle Office of Housing (OH) is proposing amendments to the A & F Plan as follows:

a) Fund transfer. The Council-adopted 2012 Budget transferred $165,000 from the Housing Levy administrative category to the Rental Preservation & Production Program. The amendment will revise the Levy Funding Plan to conform to that budget decision.

b) Rental Housing Program. Under current policy OH considers an agency's performance on previously funded projects when awarding funding for new projects. The Plan amendment will establish procedures for an agency to resolve any contract compliance findings, and for OH to determine whether the agency is in good standing on prior loans. An agency that receives a compliance finding must correct the deficiency, or take actions to remedy according to a plan acceptable to OH, to be eligible to apply for funding for a new project.

c) Yesler Terrace redevelopment. The Yesler Terrace Cooperative Agreement makes conditional commitments of Rental Housing Program funds for replacement housing and other low-income housing in Phases I and II of Yesler Terrace redevelopment. The A&F Plan amendments will enable OH to fund these projects consistent with Cooperative Agreement. The amendments include a waiver to income limits for relocated Yesler Terrace residents, flexibility on tenant rent policy for replacement housing units to allow consistency with HUD requirements, flexibility related to OH's application process, and related definitions.

d) Homebuyer assistance. Based on recent program experience, nonprofit organizations have requested changes to lending guidelines. Plan amendments would increase the maximum loan amount for resale-restricted homes, and would allow homebuyers up to 80% of AMI who are participating in "sweat equity" programs to count their mandatory volunteer time toward OH's required cash contribution.

In addition, the Office of Housing is proposing to amend the development siting policy in the Consolidated Plan to exempt development of Yesler Terrace Replacement Housing. The policy restricts development of extremely low-income housing in areas of over-concentration. The exemption is needed to allow replacement housing development to proceed, in advance of planned market rate housing development, so there will be opportunities for residents who must relocate to stay at Yesler Terrace.

X This legislation does not have any financial implications.

Note: While the legislation does not have a direct impact financial impact, OH is unable to spend $165,000 in rental housing program funds until the A&F Plan conforms with the 2012 budget.

- **List attachments to the fiscal note below:**

  None

Other Implications:

a) **Does the legislation have indirect financial implications, or long-term implications?**
No.

b) **What is the financial cost of not implementing the legislation?**
OH would be unable to allocate $165,000 for rental housing projects.

c) **Does this legislation affect any departments besides the originating department?**
No.

d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?**
No alternatives are identified.

e) **Is a public hearing required for this legislation?**
No.

f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No.

g) **Does this legislation affect a piece of property?**

The legislation affects funding for specific parcels at Yesler Terrace as provided in the Yesler Terrace Cooperative Agreement.

h) Other Issues:

List attachments to the fiscal note below:

None

City of Seattle
Office of the Mayor

September 4, 2012

Honorable Sally J. Clark
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Clark:

I am pleased to transmit the attached proposed Council Bill amending housing policies in the 2012 – 2013 Housing Levy Administrative and Financial Plan (A & F Plan) and the 2009 – 2011 Consolidated Plan for Housing and Community Development (Consolidated Plan). The proposed amendments will revise housing policies in order to conform to the Council-adopted budget and implement the Yesler Terrace Cooperative Agreement. Additional revisions provide timely changes to rental and homebuyer lending guidelines. These recommendations were developed with input from the Housing Levy Oversight Committee and other community members.

The proposed policy amendments are:

- *Fund transfer.* The Council-adopted 2012 Budget transferred $165,000 from the Housing Levy administrative category to the Rental Preservation & Production Program. The amendment will revise the Levy Funding Plan to conform to that budget decision.
- *Yesler Terrace redevelopment.* The Yesler Terrace Cooperative Agreement makes conditional funding commitments for replacement housing and other low-income housing in Yesler Terrace Phases I and II. The amendments to A&F Plan lending policies and the Consolidated Plan siting policy will enable OH to fund these projects consistent with Cooperative Agreement.
- *Rental Housing Program.* The proposed amendments will establish a procedure for an agency to resolve any contract compliance issues, and for OH to determine whether the agency is in good standing on prior loans and eligible to apply for new funding.
- *Homebuyer Program.* Based on recent program experience, the proposed amendments make changes to loan amounts for resale restricted homes and the required homebuyer cash contribution in "sweat equity" programs, as requested by nonprofit homeownership organizations.

Thank you for your consideration of this legislation. Should you have questions, please contact Rick Hooper, OH Director, at 684-0338.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

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